



P R E - A L L O T M E N T   P R O C E D U R E  
F O R  
N E W   P R O J E C T S

ISSUED BY  
DEPARTMENT OF AGRICULTURE  
RURAL ELECTRIFICATION ADMINISTRATION

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## MEETING AND ORGANIZATION

Before any steps are taken towards organization of a proposed cooperative a representative of the Applications and Loans Division should be called in to make a preliminary survey of the area including the density, type of farming, economic conditions, existing utility lines and other related factors that will affect the feasibility of the project. This preliminary survey might well be made with the assistance of the County Agricultural Agent, if possible, together with some of the volunteer project sponsors or farm leaders. A report of this preliminary survey should be forwarded promptly to the Applications and Loans Division with recommendations of the fieldman for consideration and approval. The fieldman, in turn, will be advised promptly of the decision reached by the Applications and Loans Division so that organization of the cooperative, if favorable, can proceed with the least possible delay. Arrangements should be made for holding a mass meeting of all farmers on a county-wide basis, at which time the REA representative will explain in detail the rural electrification program and answer the many questions that will be asked.

To assure a successful project from the start the largest possible attendance should be on hand for this meeting. A temporary chairman should be named for the meeting. A REA fieldman should be present to explain the program, answer questions, and also help in carrying out the mandates of the meeting. Selection of the incorporators usually takes place at this meeting. The incorporators can be called together at the close of the meeting for the selection of a project attorney.

### PROJECT ATTORNEY

When tentative incorporators have been selected as outlined under the subsequent section headed, "INCORPORATION," they should be called together to consider the selection of an attorney to act as counsel for the proposed cooperative. (Such a meeting of tentative incorporators is held usually at the close of the mass meeting of farmers called to discuss and explain the REA program). REA does not select the attorney, but reserves the right of approval since it must rely upon his opinion with respect to the State laws, the validity of the note and mortgage given to the Government for the loan, and the regularity of all proceedings incident to the loan.

In the selection of an attorney, consideration should be given as to his attitude toward the cooperative movement and he particularly should be sympathetic with the farm programs and the improvement of social and economic conditions of the farmer. It will be helpful to you and to REA if he has had experience with cooperatives and understands cooperative procedure and ideals. Furthermore, he should have considerable experience in the handling of corporate procedure in long-term financing and other corporation matters; and be thoroughly familiar with the State laws and practices with reference to



obtaining necessary authorizations and franchises from public bodies and rights-of-way from private landowners. He should have no clients or affiliations which might cause any conflict of obligations, such as private utilities whose interests might not be for the welfare of the cooperative. He should have a reputation for prompt and speedy work.

When the attorney has been selected, have him enter his qualifications on the attached Form LE-188, "Information Regarding Proposed Project Attorney," and air mail promptly to the Rural Electrification Administration, Applications and Loans Division. Approval or disapproval will be given immediate attention.

Do not formally employ the selected attorney until you have received the approval from REA. Compliance with this requirement may avoid embarrassment to you, the attorney in question and to the REA.

Take no steps toward incorporation until the attorney has been approved and he has received detailed information and instructions from the Rural Electrification Administration.

### INCORPORATION

After your attorney has been approved, a meeting of the tentative incorporators, and attorney, should be held to proceed with the formal incorporation of the cooperative and the execution of the necessary papers and forms.

Only persons who will be members served by the project, and who can represent geographically a portion of the membership are eligible to act as trustees. The trustees should elect the officers of the cooperative, who usually consist of president, vice-president, secretary and treasurer.

1. The Board of Trustees should, if the law permits, consist of at least five members.

NOTE: In some States, the laws may not permit more than five board members. In such cases the Board shall consist of the maximum number of trustees allowed by law. These trustees, however, must be prospective user-members and elected from the project area.

2. It is recommended that consideration be given to the selection of one or two women to serve as trustees.

3. No paid employees of the cooperative such as lawyer, engineer, project superintendent, or close relatives, are eligible to serve as trustees. (This does not prevent trustees acting as survey leaders.)



4. One officer of the cooperative during the process of incorporation should be designated to send to and receive from REA all mail in connection with the project.

5. **Treasurer**

When the cooperative has been duly incorporated in accordance with State statute, the treasurer should then be placed under surety bond.

Do not select as an incorporator or trustee anyone who is or plans to be connected in any way with a business selling electrical or plumbing appliances, fixtures or supplies, or doing house wiring. No one should hold a position of trust if there exists even the remotest possibility that he could use it to gain any personal advantage.

Your attorney should immediately notify the Applications and Loans Division of the date of the action taken and the names and addresses of the officers and trustees elected.

PREALLOTMENT INSURANCE

To protect the cooperative and the persons engaged in its development, REA requires that certain insurance be taken out immediately after incorporation.

**NOTE:** Do not order insurance until approval of your proposed arrangement is received from REA.

In order to comply with all State insurance regulations send in Form CO-91 or Form CO-92 with your incorporation papers--this will avoid delay in allotment.

REA in behalf of prospective borrowers has made special arrangements with associations representing many stock and mutual insurance companies to obtain the required insurance expeditiously and without any immediate payment. Two methods of purchasing this insurance are available, and are fully described in the Insurance Manual (Revised 1945).

If you wish to purchase the insurance through local companies or their representatives send in Form CO-91. If you wish REA to make these arrangements for you, send Form CO-92, and specify therein whether you prefer a mutual or stock company. Both forms are attached to the Insurance Manual. Your risks will be covered promptly by binders pending issuance of policies.

PROJECT SURVEY COORDINATOR

A reliable person, thoroughly familiar with the proposed project area should be employed as Project Survey Coordinator as soon as the cooperative has been incorporated.



The Coordinator shall direct, plan and schedule the work of the survey leaders and be responsible for the systematic and satisfactory completion of all survey activities. He shall act as recipient of membership fees collected, record and file all membership applications and easements secured, and assist the engineer in the compilation of the member-survey tabulations and in ascertaining the proper location of members and prospective members on the preallotment maps.

The Coordinator shall be employed not to exceed a sixty-day period, and should an allotment be made to the project prior to the end of that period, his services shall terminate on that day. He shall receive a reasonable monthly salary and car allowance, (as set forth in Item Number 6, page 9 of this packet,) which may be paid from the membership funds, the membership funds to be reimbursed if and when an REA allotment is made.

The Coordinator is employed on a temporary basis. His employment is subject to the approval of the board of trustees only.

### GROUP INSTRUCTION MEETINGS

#### Instruction Meetings

Experience has demonstrated that before the survey people begin work, a meeting should be held to instruct them in all the details of the survey and explain the forms to be used. If possible, the REA fieldman, together with the Coordinator, should conduct this first school of instruction. It would be well to have the project attorney present to explain the easement forms and the procedure which he wishes the survey workers to follow in obtaining right-of-way easements. When possible it is recommended that another meeting of the survey workers be held after they have been in the field a few days and discovered many questions asked which they are unable to answer. Clarification of these questions and keeping everybody working on a uniform basis will go far to prevent misunderstanding, misconceptions, and confusion. If the REA field representative is not available for this second meeting the project coordinator with the project attorney might well conduct it.

### PREALLOTMENT SURVEY

A sufficient number of men and women should be pledged as survey leaders who are to solicit the membership. Usually the County Agricultural Agent, Home Demonstration Agent, and project sponsors can materially assist the REA field representative and the cooperative in the selection of these survey leaders. The men and women selected should be well acquainted with the farmers residing in the project section in which they will work. Under the direction of the field representative and coordinator these leaders will secure membership applications, collect membership fees and secure signed easements granting the necessary rights-of-way.

Each leader should be given a copy of the Form AL-65, and they, as well as the board of trustees, should familiarize themselves with its contents.



To facilitate the work of the survey leaders a county map should be obtained and the corresponding portion of it given to the survey leader who will be assigned that section for the membership survey. When your survey leader makes his report to the coordinator the signed members should be located on his section of the map.

In most of the States right-of-way easements must be notarized. The notarization of such easements may be obtained by (1) commissioning the survey leaders as notaries public and (2) deputizing survey leaders as county clerks. The project attorney should be familiar with the correct method and survey leaders should be guided by his recommendations.

NOTE: Persons located along existing utility or municipal electric lines and having electric service now shall not be permitted to sign applications for service with the cooperative.

After submission of preallotment data to REA for examination and feasibility studies prior to an allotment, it is recommended that the member sign-up to continued along the proposed lines.

#### MEMBERSHIP FEES

The board of trustees should adopt a membership fee of at least \$5.00 to be paid by each member, and shall select a reputable bank as a depository for such fees collected.

The treasurer shall be authorized to accept for deposit all membership fees collected and shall file all signed membership applications and easements obtained by the survey leaders and Coordinator.

The treasurer or Survey Coordinator shall give receipts for such moneys and papers turned in to them by the survey leaders and shall make a book record of such transactions.

Each deposit slip must be supported by a detailed list showing name and amount collected from each member. All expenses during the preallotment period should be paid by check drawn against the membership account. For each such disbursement a detailed receipted invoice in duplicate should be secured. It is very important that a record be made of all financial transactions and that all receipts and invoices be carefully preserved for use in connection with the installation of bookkeeping records in case an allotment is made.

Before permitting collections of money or fees by the treasurer or Survey Coordinator, these positions should be bonded.

#### PREPARATION OF PROJECT MAPS

While signed membership applications and right-of-way easements are being obtained, select a competent engineer to draft a map in accordance with



standards for REA mapping (Form Adm-49). The mapping engineer selected should be thoroughly experienced with mapping procedures and detailed map layouts. Engineers offering to do this work should submit their qualifications and experience to the cooperative by letter. As soon as the engineer is selected a copy of this letter should be submitted to the REA Applications and Loans Division. You will be notified immediately whether or not the engineer can be approved. Before the final selection of an engineer is made, both the directors and mapping engineers will find it helpful to read the packet entitled "Instructions for Preallotment Mapping."

Although the mapping engineer may be employed to draft the map, this does not guarantee his continuance as project or consulting engineer after allotment has been made.

TWO COPIES of the set of completed maps should be a part of your application to REA; a third copy should be retained for the project files. The engineer preparing the map should certify to the accuracy of the information contained thereon, and this statement should be attached to the maps sent to REA for examination. Enclose TWO COPIES of the list of signed and prospective members, according to the Survey Tabulation Sheet Form No. AL-58 attached to this packet, certified to by the Secretary as being true and correct. The Preallotment Examination Summary (form AL-29) should be filled out and made a part of the application.

DO NOT FAIL TO SUBMIT MAPS AND TABULATIONS IN DUPLICATE. BE SURE TO MAKE A COPY FOR THE PROJECT FILES.

#### WHOLESALE POWER

Wholesale rates for an REA project should average 1¢ or less per kwh at the wholesale meter.

Cooperative officials will be advised by REA when to take action regarding source of wholesale power and rates.

#### RATES TO USERS

Because of the number of unknown factors, it is difficult to quote or assume a definite retail rate for a proposed project. After the project survey has been completed and all details submitted, REA will figure a suggested retail rate calculated to assure sufficient revenues for "pay out" and present it to the Board of Directors for consideration.

Rural village members, seasonal members, cottages, cabins, group-tenant houses, as well as churches, community halls, camps, special commercial and industrial members may be considered separately in the rate calculations, and where found advisable, special retail rates and minimum will be set up for them. Write for special rates for these particular cases.



## HOUSE WIRING

When soliciting membership applications, it may be explained that the cooperative will construct the line to the member's premises. In many cases the cooperative, at the option of the Board of Directors, will install the meter loop, ground, and certain protective equipment. It will be the responsibility of the member to carry the service from the termination of the cooperative's installation on into his various buildings.

Where two or more major buildings, including the dwelling, are to be wired for electric service, the meter will be installed on a centrally located pole (See Form AL5R), Procedure for Furnishing and Installing Main Service Entrance. It will be noted that the Membership Application and Easement forms include an agreement by the owner and tenant that all equipment installed at the expense of the cooperative is to remain the property of the cooperative.

Immediately after you receive an allotment, you should receive suggestions on the method of organizing a house wiring program to help all the members obtain an adequate wiring job at a reasonable cost. If you do not receive these instructions at the time they are needed, you may request form AL-63 "Manual of Wiring Procedure" from REA.

## PLUMBING

Since 1935, one and a half million farms are now enjoying the manifold benefits of electric service through the REA cooperatives. With electric power available the health and sanitation of the farm family and rural community can be greatly enhanced. REA cooperatives open wide the opportunity for installation of plumbing and water systems which farmers have been unable to enjoy heretofore.

Present information indicates that some 25% of the cooperative members now being served have electric water systems. The 1940 Census states that less than 12% of rural farm homes have bath or shower facilities.

REA has a definite farm-plumbing program to offer through group purchase with organized technical and promotional assistance.

Cooperatives should avail themselves of this service by writing the Applications and Loans Division, REA.

## SELF HELP

In localities or communities where members to be served have the need and desire to assist with the construction of the project, arrangements should be made to facilitate these objectives. Farmers needing some extra financial income that will make it easier for them to wire their farmsteads,



and perhaps buy some equipment, should be given opportunity to perform such labor for which they are qualified in the construction of the project.

There are two possible opportunities: first, right-of-way clearing need not be made a part of the construction contract. The cooperative can arrange to do this right-of-way clearing with a crew or crews of its own. Here the potential farm members can make up these right-of-way clearing crews and as a result be paid for their labor; second, experience has shown that line construction contractors do not carry with them a full complement of employees. Coming into an area for new construction, many of the common laborers are hired in that locality. Here again, farmers in the area to be served can apply directly to the contractor for jobs. The earnings of the farmer-consumer can thus be utilized to facilitate his taking electric service.

Aside from the financial gain, the employment of farmers in the community to help with the construction of a project enhances the cooperative principle. The man who has helped to construct his own project has a greater interest in both the social and economic success of the project than otherwise. Experience has shown that employment of the farmers whereby they may earn some extra money has made it possible to connect more initial consumers to the line than otherwise possible.

#### EXPENSES OF PREALLOTMENT SURVEY

The sums listed below are maximum amounts out of membership fund that may be advanced to meet expense of preallotment survey and are subject to acceptance by REA of preallotment survey data and maps as complying with all allotment requirements. The reimbursement of the membership fund out of REA loans, of course, is contingent upon an allotment being made.

#### Permissible Expenses

1. Securing signed membership applications, collecting membership fees, securing easements. In connection with preallotment survey the cost is not to exceed \$200.00 for a 100-mile project.
2. Samples of all suggested incorporation, easement and membership forms will be furnished by REA. These forms can be reproduced in the quantities needed for use in connection with the preallotment survey.

It must be remembered that preallotment expenses must be paid from the membership fees and cannot be reimbursed by the Rural Electrification Administration unless a feasible project is developed and the allotment is made. The preallotment expenses should be held to a minimum and, if possible, volunteer workers should be used except for the coordinator who would have to be a full-time employee.



3. There will be certain fees fixed by law payable to the State or local authorities for incorporation and notaries' commissions. These are reimbursible items.
4. The cost of map and engineering work, project data and tabulation shall be determined; (a) on a mileage basis, (b) on a square mile basis if area coverage is undertaken. (See section of this packet on mapping).

Consult with respective Applications and Loans regional head to determine a definite figure.

5. Miscellaneous expenses should not exceed \$50.00. This would include mimeographing, reproduction of easement and membership forms, and other miscellaneous items.
6. Salary for project survey coordinator should approximate \$125.00 per month for the maximum period, plus automobile mileage of 5¢ per mile, maximum \$50.00 per month. For the 60-day period this permits a maximum of \$350.00. It is understood that the project survey coordinator must devote all his time and energies during this time for expediting the preallotment survey. It may entail meetings and extra work during the evenings as well as days.

Summary of project data to be submitted to REA for final examination.

1. Detailed maps IN DUPLICATE.
2. Key map IN DUPLICATE.
3. Certified Membership--Survey Tabulation Form No. AL-58 IN DUPLICATE.
4. Certified statement by mapping engineer and project secretary as to accuracy of maps.
5. Preallotment Examination Summary form (AL-29) properly filled out.

SUPERINTENDENT

Information on selection of a superintendent will be sent to you after an allotment of funds has been made.



RURAL ELECTRIFICATION ADMINISTRATION	MEMBERSHIP SURVEY TABULATION		DATE SUBMITTED
	Project _____		
	County _____		_____, 19__

Map No.	MEMBER'S NAME AND POST OFFICE ADDRESS	T Sec. No. R	Guaranteed monthly revenue to start with	MEMBERSHIP		Easements Signed (Yes or No)	Distance from road Approx. Ft.
				Signed (Yes or No)	Amount Paid		
1.	John Doe - Jonesboro Any State, RFD #1		\$3.50	Yes	\$5.00	Yes	450
2.	Joe Turner - Smithville Any State, RFD #2		\$2.50	Yes	\$5.00	No	100
3.	Jim Smith - Greenville Any State, RFD #3		\$0.00	No	- -	Yes	825
4.	Bill Edwards - Brownsville Any State, RFD #4		\$6.00	Yes	\$5.00	Yes	150
<p>(This is a sample tabulation sheet. A complete record of the name and map number of every signed and prospective member should accompany the map and project data when submitted to REA for final approval. Be sure that every number on the map is listed in consecutive order and accounted for on this tabulation sheet. Tabulation sheets shall be prepared in triplicate--the original and duplicate forwarded to REA with the map and project data--the triplicate to be retained by the cooperative for their records. Where the project is developed on the guaranteed monthly revenue plan, the amounts subscribed by the member must be entered in the proper column.)</p>							
TOTALS							

Certified by \_\_\_\_\_

Secretary of Cooperative

Date \_\_\_\_\_







RURAL  
ELECTRIFICATION  
ADMINISTRATION

INFORMATION REGARDING  
PROPOSED PROJECT ATTORNEY

PROJECT DESIGNATION: \_\_\_\_\_

DATE: \_\_\_\_\_

1. Name \_\_\_\_\_ Age \_\_\_\_\_
2. Firm Name \_\_\_\_\_
3. Address \_\_\_\_\_
4. Distance from Cooperative's Office \_\_\_\_\_ Miles
5. Education (Give colleges, degrees, dates)
  - a. General Education \_\_\_\_\_
  - b. Law School \_\_\_\_\_
6. When and Where Admitted to Bar \_\_\_\_\_
7. Describe the character of practice and the relative importance therein of the following. *Be as specific as possible.*
  - a. Corporate Organization and Finance \_\_\_\_\_
  - b. Real Property and Mortgages \_\_\_\_\_
  - c. Public Utility Law \_\_\_\_\_
  - d. Municipal Corporations \_\_\_\_\_
  - e. Cooperative Associations \_\_\_\_\_
  - f. Other fields of practice \_\_\_\_\_
8. Public Offices or Employment \_\_\_\_\_
9. Retained or employed by a Public Utility Company now or at any time \_\_\_\_\_



10. Names of more important corporation clients, giving character and size of clients' business in gross receipts and character of legal services rendered them \_\_\_\_\_

11. Special qualifications not suggested by preceding questions \_\_\_\_\_

12. References \_\_\_\_\_

13. Are you a member of or related to any member of the board of directors? \_\_\_\_\_  
If related, specify relationship. \_\_\_\_\_

\_\_\_\_\_  
*Signature*







